

Management

A Field Guide to Identifying and Integrating Independent Board Members

Every May, graduates cast off into the real world. On such occasions, those who've been there before — parents, relatives, teachers — take the opportunity to bestow hard-earned wisdom. Naturally, students are busy being caught up in the milestone: the meaning of one chapter closing and the promise of launching into the next. So, despite best intentions, even the most thoughtful, measured graduation speeches can dissolve once “Pomp and Circumstance” plays. Even the most instructive, inspiring book, which served as a life manual to others, collects dust.

Every day is graduation for early-stage founders. The sequence of notable moments flows like a fire hose: releasing a beta, launching a product, closing a deal, onboarding a critical hire. Rarely on that list is ‘appointing an independent board member.’ So, like a ready source of knowledge at graduation, the advice turns into wisdom only as it becomes relevant to the recipient. But it behooves founders to know where that tome sits on the shelf — and leaf through it before it's needed. That's why we spoke to [Michelle Wilson](#), who serves as an independent board member for [Pinterest](#) and [Okta](#) (their first), as well as for Zendesk. Before that, she was an SVP and General Counsel for Amazon for over a decade, and a partner at law firm Perkins Coie.

In this exclusive interview, Wilson defines an independent board member and shares why it's a key role for a founding team and a startup's board of directors. She outlines when and how startups should pursue an independent board member, and the attributes and profiles to seek as you begin your search. Lastly, she unpacks the

motivations of independent board members — and what to ask to make sure they align with your company.

Send In The Independent Board Member

But when? Wilson has noticed a general misunderstanding with timing when it comes to bringing on independent board members. “I’ve had founders reach out to me after they’ve raised their seed round, or they’ve just launched their product but are gauging its viability. CEOs of growth stage companies contact me when they are still four or five years away from an IPO or exit. I applaud — and encourage — the forward-looking mindset and planning, but tell them it’s not yet time to act,” says Wilson. “I say it’s too early to formalize their board, and they should work with their VCs to bring in [the informal advisors that they need.](#)”

So, for most early-stage startups, the good news is there’s plenty of time to find one; the bad news is that, because there’s plenty of time, many delay and start too late once it’s go-time. “It’s on the other side of the horizon for most startups. A rule of thumb is that companies should bring on an independent board member two to three years before an IPO, when you’re on the eve of growing your shareholder base. That gives you about a year to fill out the board and a year or so for everybody to get up to speed. The other prompt is if you’ve decided not to go public, but plan to stay private for a long, long time,” says Wilson.

The reason for this timing is because, when you’re smaller, you just don’t need it. “Early on, founders and investors are on the board. Both of these parties’ interests cover much of what needs to be scrutinized at the start,” says Wilson. “You don’t need to have third parties on a board of directors yet. For certain types of companies, such as those in healthcare, there’s a case to have informal advisors or an advisory board to bring different areas of expertise. But you don’t have to mix that with the formal governance board.”

An independent board member helps with one big potential blind spot: a large and growing shareholder base.

With an independent board member, what you're gearing up for is the ramp-up to go public or a large, private shareholder base. "You're no longer serving the interests of just the founders, investors, team and early users. You're growing from a village to a city. You're accountable for a big, brand new population," says Wilson. "At the time a company goes public, there'll be a lot of independent and retail shareholders.

Depending on the company, your base may grow to thousands or tens of thousands. The role of an independent board member is to represent the interests of those shareholders, and how the company is creating value for them. That's the formal, legal description. Practically, you're working with the founder and other directors to try to build value in the company. And so you want to assemble a team of people who, together, can do that."

Roles of Independent Board Members

To build that cohesive board of directors, the leaders at a startup must identify which gear isn't greased and turning in the machinery. "Startups, start by examining who's on your board already. You are building a team after all. So, you've got your founder or CEO, who's deeply knowledgeable about the business. There are the VC's, likely your lead investor. Perhaps she or he has had an operating role in your industry before," says Wilson. "Like growing any well-functioning team, look to fill gaps where the company needs experts, whether that's international expansion, growing into peripheral markets or work with governmental agencies. You want veterans to help address the challenges ahead, but it's most important that they can become fluent in the challenge, even if it's not one they are an expert in. Coming from the same industry makes that easier, but people who are very good at translating can cross industries, too. That diversity of experience can really add value. For example, one of my boards reviewed potential expansion geographies. I addressed some of the complexities of operating in China and India, and another director had more direct experience in the

particular operating model. Together, we were able to help the executive team reach the best outcome.”

By the time a board matures, there may be three or four independent board members. According to Wilson, here are a few key roles to consider in your search, keeping in mind the unique needs of your company:

Chair of the Audit Committee. “When you are on the path to become a public company, you’ll have to create at least three committees, one of which oversees the company’s financial affairs. So one of first independent board members I recommend looking for is someone to chair the audit committee. This person will be responsible for working with your auditors on financial statements,” says Wilson. “That person is usually, but not always, someone who’s been a sitting CFO, who understands the ins and outs of internal controls. Ideally, they know what it’s like to be a successful public company in detail, including having been through an IPO before. A range of experience is a big bonus: in addition to going through a public offering, look for a person who has run investor relations, worked in financial planning and analysis, or performed internal audits, ideally over a few companies.”

CEO mentor. “Another key independent board member is one who’s skilled at advising and mentoring CEOs. This is more than a corporate coach — it’s someone who’s been chief executive, ideally at a growth stage to which the CEO is about to embark. This person serves as a sounding board, but one that won’t have to rely on just the CEO for inputs. She’s in the room with the entire board so has the context to effectively support the CEO at each step,” says Wilson. “The hallmark of the best independent board members in these roles is accessibility — even more than the others board members. When needed they’ll meet over a meal. They respond quickly with an email or call. They’ve sat in the chair recently and know how to excel in it. They understand

the chain of command and are open to mentoring other members of the leadership team, too.”

Look for a CEO mentor about 10 years your senior. Far enough to speak to the war, not just the battles. Not so far as to forget the trenches.

International operator. “Companies that have the choice to go public — and either do or decide to remain private — are organizations that have global scale and competition in sight. So these companies need a board member who’s tackled regional expansion and knows the global competitive landscape. This typically means significant international experience, which includes knowing the points of leverage for and pitfalls of operating in other countries,” says Wilson. “Ideally, this person has operated outside of the United States. Independent board members can wear more than one of these hats. So perhaps they are a global CEO or a global audit chair, because there aren’t yet many people on the board.”

PR or government relations expert. “As companies get bigger, they’ll deal with media and governmental agencies in more widespread and enduring ways,” says Wilson. “This becomes more and more common at scale, especially as companies deal with the media and government agencies in multiple countries. A director filling this role might be an industry expert in a regulated company, like a bank CEO for a financial services company, or might be a head of public relations from a Fortune 500 company. ”





Personas of Independent Board Members

While the types of roles filled by board members are distinct, the attributes that each independent board member archetype embodies has certain traits in common. These personas are valuable if filled by any leader, but especially for those guiding late-growth stage companies. Here are a few important ones:

Witnesses. Whether it's to an incident or a wedding, witnesses are in service of something more pressing than themselves. Independent board members must be the same. "It's not just about coming to or calling into board meetings. It's what you do in-between those that counts," says Wilson. "I make it a point to proactively and reactively meet with the management team between board meetings. Of course it really depends on what's happening with the company at a given point in time, but as a director that isn't the CEO or an investor, you've got a unique perspective on the company to deliver."

One way Wilson thinks about it is in terms of how flexible and responsive she can be to her companies. "I'm on four boards right now and that feels like enough. I'm sure I could do three or five, but four seems right. There are logistics behind this calculus — travel time for meetings, for example — but a lot of it is also about how in tune a person is with her bandwidth," says Wilson. "I go through stages with companies where we're talking a few times a week and then not talking again for six weeks. But if I sum the amount of time spent per company, it's about three to four weeks per year per company. You want a director that's balanced and aware of her bandwidth. If a few of your companies need something urgent one same day, it doesn't go over well if you say you're busy with other companies and can't do it."

Great independent board members aren't just resources. They're witnesses. They respond and record.

Wilson doesn't rely on board materials or decks to keep her up to speed. She takes command of every input. "Continuity is critical for any director, but especially for the independent board member, who is not plugged into the day-to-day of the founder or CEO, or maybe hasn't had frequent touch points as a longtime investor. So I keep careful notes of each meeting with someone from the board or management team," says Wilson. "Getting very tactical, it can be hard to be present and take notes simultaneously, so I usually do it in my next transit block afterwards — whether that's in the taxi to the airport or on the plane. I'll write down what's top of mind now, so for the next meeting, I can refresh myself and resume as seamlessly as possible. It's helped me not only keep continuity between meetings, but also be able to review what was being discussed a quarter or a year ago."

True blue users. These are not your bandwagon fans or quarterly supporters. Between board meetings and correspondence with leadership, they're deepening their understanding and history with the company. The lowest-lift way to do that is to stay up to speed on their companies and industries. "It's critical to do your homework. I read almost everything that comes out about a company, if I sit on its board. And then what's happening with their competitors. So, in my case, I have Google alerts for Pinterest, Okta and Zendesk — as well as the other major players in their space — and I read them every day," says Wilson.

But being current on the goings-on with the company and its industry is a baseline requirement. "When you meet a potential independent board member, she should be more than intrigued by the product and should do more than ask general questions," she says. "If it's a consumer product, she should use it. Ideally, she should not only be able to describe user flows, but have opinions on, say, the product's user onboarding or its email marketing campaigns. I use Pinterest almost every day."

That level of commitment shouldn't need an audience. "With Okta, I've gone to their big customer event, Oktane, the last two years on my own. I know that with enterprise software companies, directors have to work a little harder as you can never quite get as close as you'd like to a customer," says Wilson. "So I make sure I've got the company's events on my calendar. You're not often going to meet customers in a board meeting, so it's a great way to meet them 'in the field,' better understand their obstacles and pick up nonobvious insights."

Levelers. This person is not only the one who'll level with you, but as importantly will meet you where you are. That involves the ability to quickly zero-in on the level of detail suitable to your understanding. "Look for an independent board member who, when he's talking to you, can quickly bridge the gap from what you know to what he's trying to explain. And then can methodically take it a level deeper," says Wilson. "This is incredibly important when working with other directors. Good boards cover the expertise the company needs together, which means they are each representing a piece of the puzzle. Often it can fall on the independent board member to be a versatile addition to the equation, who can level and translate adeptly."

"I was recently talking to a board member about physics, which I know nothing about outside of a high school course. He started at one level and instantly caught my deer-in-the-headlights look. So he stepped back, explained a few variables and played through a couple scenarios," says Wilson. "This is a good teacher — and someone exhibiting sound judgement. When you have limited time with very smart people in the boardroom tackling big challenges, you need someone who can jump from level to level without frustration."

Leaders by influence. There are many types of captains — some lead by rules, others by example and others by service. "Here you want a director who is going to lead by influence. By the nature of being an independent board member, you're joining a team that's already in motion, so you need to be able to assert your perspective comfortably," says Wilson. "You don't get to come in and manage — or micro-manage — the company, so look for the candidates who can persuade through soft skills. I

have seen longtime CEOs struggle with leading by influence. To find the right match, look at their resume for recent experiences of when the potential director was part of a team, not just leading it. Backchannel with people — both on and off a reference sheet — associated with that collective and inquire about leadership style. I recommend doing at least three of these calls, and I particularly like it when I hear that a candidate often acts as the ‘glue’ that helps bond a team together.”

The Groundwork for Independent Board Members

So how can you prepare for independent board members before you need them? Most of the following are good business tactics, but here’s how they are also key for laying the groundwork to recruit and make independent board members effective:

Tap your investor’s network. “For all of my independent board roles, the companies’ investors introduced me. This may not always be the case, but look at it this way: anyone who has, to this point, been of strategic value to the CEO will likely have been hired or brought in as an advisor already,” says Wilson. “Now the company is on its march to become a large public or private company. Who got you here may not get you there. Your contacts who’ve seen advisors at all stages of growth are key resources. They’ve seen these individuals operate on other boards. Early on, I reached out to investors to let them know I was interested in serving on more boards. A side note: there are recruiters who specialize in finding independent board members; I find they’re most helpful at a company’s mature phase.”

Your independent board member is likely a second degree connection. Keep advisors current on your search.

Map out the motivations where you match. Independent board members aren’t ones that lead the company day-to-day (founder or CEO) nor have invested large sums of money in the company (investors). While they’re compensated financially, Wilson

contends that they largely choose to accept a board seat at one company over another because of other motivations. Here are the ones she's seen at play:

Leverage in learning. "It's not unusual to find people in technology who like to learn. It's a fast-evolving sector. But one key motivation of board members is learning a lot in a very short amount of time. In other words, condensed and curated learning," Wilson says. "I am most engaged when I can use something I've learned to do more learning. So for example, I've got significant years under my belt with scaling retail growth stage companies. So, with Okta and Zendesk, while I can tap into my experience with scaling, I didn't know as much about enterprise software. The combo of being able to simultaneously teach and learn — and doing both better because of the combination — makes those experiences rich and motivates me."

Building from the bench. "This is the athlete-turned-coach phenomenon. There comes a time when even the serial entrepreneur or seasoned executive loses energy to scale a company, but still has the expertise in doing so," says Wilson. "In my case, there's a ton that I learned in over a decade at Amazon. Not many companies experience that level of growth, so, for me, I'd like to help out where I can."

Mentor management. "As I mentioned, there's a profile of an independent board member which is a CEO mentor. Some directors are motivated to build the business; others like to build those who build the business," says Wilson. "Investing in the future of a company isn't just focusing on the product — it's also helping groom the people who will lead the company forward. Independent board members who are motivated by mentoring love working with really sharp operators, regardless of what they build."

Network and compensation. “For better or for worse, there are independent board members who are motivated to join for the marquee value of the company or their fellow directors — or even worse, the money,” says Wilson. “I understand needing to make money, but it shouldn’t be the primary motivation. My opinion is that director comp should be only equity — measured in basis points — before IPO. Not cash. If you’re considering directors who aren’t happy working for your equity, they’re likely the wrong directors. Equity typically vests over three or four years — however management is vesting. Post-IPO, companies benchmark — and usually move to a program of annual equity grants and cash compensation. Ultimately, you want directors to help build for customers and shareholders. You want them to have non-comp-related motivations.”

Pinpoint where you’ll fit in their career. Independent board members range in terms of the composition of their career. “Many work currently only as independent directors. There are those that do a combination of independent boards and philanthropic initiatives. I’ve also seen those who are independent directors and are still operating at another company,” says Wilson. “The important point here is to know what combination they’re seeking, so you know how you fit into their commitments. This is mostly to get a sense of their bandwidth and where you stack in their responsibilities. And how recent and relevant their previous experience is to you.”

Take Wilson’s trajectory. “About a year after I left Amazon, I joined my first independent board. I did that because I was ready to make the transition to serving on boards, but also because my experience was still current and relevant. I’d veer away from the independent board members who quit their operating role, wait a number of years and then try to serve on boards. At that point, they may be learning more than guiding in a board seat,” she says. “There’s a risk that, with the wrong person, a role like this becomes honorary not additive. The key is that directors need to keep their expertise current. I know people who are excellent independent board members who have

been serving for over a decade. If you're staying close to companies helping build, staying involved, keeping current with industries, you can do it longer. Definitely."

All Aboard!

Independent board members are key components of the boards of directors for growth-stage companies. If you're still in the earliest stages of your startup, prepare but don't panic. You won't need to bring on your first independent board member until about two years before you either go public or decide to stay private through an extended period of late-stage growth. The trigger is the onset of growing a large shareholder base. Before you get to that point, get acquainted with the key roles an independent board member might play: chair of the audit committee, CEO mentor, international operator, PR/government relations expert, or a combination of any of these. The role should fill a gap on the existing board, but whatever the role is, an independent board member should be able to lead by influence and be a true blue user. Lastly, map and match which motivations of independent board members work for you.

"Independent board members come in a few years before IPO not only because that's the stage of growth where they're most effective, but also because the leadership of the company is still evolving. In some ways, you're waiting not only for the company to mature, but for its leaders to mature as well," says Wilson. "To know what type of independent board member would make a difference, internal leaders need to be more self-assured and sure-footed in the business. At the end of the day, they're building a team within a team, one which also needs to have the right expertise and experiences represented. That takes a lot of self-awareness, a level which I typically see come into effect at a company's late stage. Good timing and fit for an independent board members can really transform a board, and with that, the company."

Photography by Bonnie Rae Mills.

