

# What to ask a prospective board member

*And . . . what you are most likely to be asked by them. Keep in mind that qualifications and suitability are two very different considerations.*

**BY DENNIS CAGAN**

**I**nterviewing candidates for a board of directors is a very specific process. Not too dissimilar from interviewing a prospective CEO, it involves evaluating a wide variety of criteria, and at the same time educating the candidate and convincing them of why they should join your company — should they ultimately be invited. However, there is one fundamental difference between interviewing someone for an executive position as opposed to a board directorship.

When interviewing a candidate for a senior executive role he or she will most likely be a subordinate, or a peer, but nonetheless an employee. Personal chemistry and cultural fit within the company are of course very important. However,

a director is not an employee, nor are they necessarily a peer. They could potentially exceed the CEO's own level of accomplishment in one area or another. And it is not always mandatory that they are a good fit with the company culture — still, of course, that is desirable. In general, they will not be working side-by-side, or socializing with, employees. That said, they are required to understand, appreciate, and respect the company culture. On the other hand, the culture of the board, their personalities, and the dynamics between the directors are critical.

Board interviews will usually be conducted by the board chairman, the lead or presiding director, a member of the nominating or governance committee, the CEO, or any combination of these.

## Qualified vs. suitable

The chances are that one would not even be spending the time to meet with a board candidate unless they came highly recommended and with confirmed impressive credentials. Keep in mind that



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qualifications and suitability are two very different considerations. They are both part objective but also part subjective.

Qualifications will help you rate their experience, success, achievements, levels of responsibilities and exposure to a requisite range of circumstances that

**I USUALLY RECOMMEND TRYING TO KEEP A GOOD BALANCE BETWEEN ASKING QUESTIONS AND ANSWERING THEIR QUESTIONS.**

would benefit your company. Suitability is somewhat more empirical. It represents the person's potential chemistry with the other board members and stakeholders like management, ownership, and outside consultants. How do you judge their personality and style that will enable them to actively participate and provide their professional advice while being respectful of the time and opinions of others? Basically, are they capable of playing in the same sandbox with other high-level, high-energy, highly accomplished individuals? Or are they really best when playing alone where they are always in charge?

Once you arrive at a selection of candidates who meet the level of qualification you require, in terms

of skills and experience, you should further sort based on personalities that will fit well with the culture you seek to develop for the board itself and the existing or desired company culture. There is always a risk when you assemble a group of five or 10 high-performance, high-achievement, dynamic Type-A individuals. Warning: the degree to which anyone does not exhibit professionalism, control, and rationality, and makes the issue or discussion about them and not about the best interests of the company, will quickly shift the board away from being an asset to being a liability.

### Interviewing process

This interviewing process is always half about you asking all of your questions, but it is also importantly about the questions the candidate asks you. Do they maintain an appropriate balance between the completeness and brevity of their answers, the style and personality they exhibit when answering, and the delicate ratio between talking about themselves vs. drawing you out?

This article is not intended to provide any insight into the correct answers to any questions — there are no set answers. Rather, it is to help (a) guide your thinking toward a selection of questions that have traditionally provided the range and depth of information necessary to be able to evaluate an

## Questions *for* a prospective board director

- ✓ What are your personal objectives or goals for a board, and your expectations for a director?
- ✓ What would you suggest your unique contribution to be?
- ✓ What are your objectives or goals for joining a board, and your expectations for a director?
- ✓ What are your personal criteria for joining a board (presumably beyond just being invited)?
- ✓ What do you already know about our company?
- ✓ What other boards are you currently on or have previously been on?
- ✓ What were some of the most interesting experiences you have had related to boards, and some of the most important things you have learned?
- ✓ What do you feel were some of your greatest contributions?
- ✓ Were you ever considered for a board and not selected?
- ✓ What are you currently doing professionally (active in a company, retired, etc.)?
- ✓ Give us a brief chronology of your career over time.
- ✓ What do you consider to be your core area(s) of expertise?
- ✓ What kind of time commitments do you now have for your current activities?
- ✓ What would your expectations be for the time necessary for our board?
- ✓ Who are some of the most notable people you have worked with or served on boards with?
- ✓ What board committee would you see yourself most/least qualified for?
- ✓ What is your expectation for the compensation package for directors?
- ✓ Tell us a little about your upbringing and your family.
- ✓ What extracurricular or outside interests do you have?
- ✓ What is the most difficult problem and decision that a board you have been on has had to deal with?
- ✓ How would you deal with a difficult board member who you do not agree with?
- ✓ What other questions do you have for us that we have not answered?

— Dennis Cagan

## Questions *from* a prospective board director

- ✓ What are your objectives or goals for the board, and your expectations for a director?
- ✓ What would you expect my unique contribution to be? What would you want from me?
- ✓ What are the structural details of the company, including incorporation (type, state), how long in business, fully diluted ownership (capital schedule), etc.?
- ✓ What are revenues/profits, and how are they broken out — by product, business unit, geography, etc.?
- ✓ Explain the business you are in?
- ✓ How and where do you actually make your profits?
- ✓ Who are your customers — where does the money come from?
- ✓ What are the key drivers/economic levers for the business — capital, labor, IP, products, cost structure, etc.?
- ✓ Fill me in on the operational details, such as annual revenue, profit margins, number of employees, facilities, corporate entities, creation of products and services, capital requirements, competition, etc.
- ✓ How much of my time will be required — for pre- and interim-meeting preparation, and for meetings (board, committee, employee, etc.)?
- ✓ Who else is on (or going to be on) the board? What is the anticipated size of the board, and the balance between inside and outside directors?
- ✓ Who is the chairman and/or lead director?
- ✓ Who are your key executives, their tenure and backgrounds, and their compensation?
- ✓ What is the compensation package for directors?
- ✓ Is D&O (directors and officers) insurance in place? What are the limits? Please provide a full copy with all riders.
- ✓ What questions have other candidates asked that I have not, yet?

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individual's qualifications and suitability, and (b) to prepare you to answer a representative sample of some of the questions most frequently asked by prospective board members. Be prepared to listen to the candidate's answers thoughtfully and control the direction you want the meeting to go in by drilling down on subjects you want more information on, and gently guiding the interview away from those that do not benefit your selection in some way.

If you want to attract the best talent be prepared to answer their questions in a straightforward, accurate and candid way. One of the most desirable attributes of a world-class director is their ability to hone in and ask the tough questions. Use the candidates' questions themselves to understand and evaluate the depth of their knowledge, their understanding of your business, their analytical and strategic skills, and how well they would mix with the personal chemistry of your other directors, the company shareholders/owners, and the management team. You can often learn more from the questions they ask than the answers they give to your questions.

In the accompanying boxes are a sample of some of the questions most frequently asked of and by director candidates. These questions are not arranged in any order. In fact, regardless of the order, the individual should be able to track them and focus on giving you the information you are asking for. Please note that I recommend asking these questions with respect, not quite as

bluntly as they are stated here. Also, whenever possible I try to lead candidates to reveal all this information without ever directly asking them the questions. This creates a much smoother cadence to the encounter and a much better basis for actually beginning to develop a relationship, which is important if they are selected, and is more problematic when it comes off like an interrogation.

One important cautionary note. Beware of a candidate who won't stop talking, even in answer to one of your questions. This is a red flag that they may be prone to wanting to dominate conversation in the boardroom, which is not appropriate.

Lastly, I usually recommend trying to keep a good balance between asking questions and answering their questions, although I have done interviews where I found it better to answer all the candidate's questions first, then simply ask the few remaining questions that did not get covered in the course of the conversation. ■

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