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How to Become a Board Member

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Chapter One: The Call

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CHAPTER 1

The Call

"The greatest trust, between man and man, is the trust of giving counsel."
— Francis Bacon, "Of Counsel," Essays *(1625)*

Graham Pettit called on a Tuesday evening, a little after seven, while Leah Sutter was clearing her kitchen table in Minneapolis. Eight months had passed since her employer sold the division she ran, and the evenings had gotten long. By the count this book keeps, it was Week −8 — eight weeks before a deal she had not yet heard of would close.

He came to the point fast. Kingpost Partners, the private-equity firm where he was a partner, was buying Hovland Fire & Safety, a fire-and-safety company in Des Moines. The board would need an independent director who had run a business with many sites and could chair the audit committee. Glenn Keating had given him her name.

"What's the job?" Leah asked.

"We need someone who will tell us what she sees."

She pulled a legal pad across the table and wrote that down. Then she asked four questions and wrote each answer under its question.

How many seats? Five with a vote, Graham said, and two observers without one. Who chairs? An independent, Elliot Talbot, who had run a building-services company through its sale. How much time? A meeting in Des Moines every quarter, a call on the monthly numbers in the months between, and the committee's own work — "and more in a bad year."

What does the fund need back?

He did not have to look it up. "Two and a half times the money, in about five years."

Leah underlined that one twice. Of the four answers, it was the only one that told her what the board was for.

That answer is where this book begins. Two and a half times the money in about five years was not a goal Hovland's managers had set for themselves. It was a promise a fund had made to its own investors before anyone in Des Moines had heard of Kingpost, and the board Leah was being asked to join existed to keep it.

Here is the rule: a private-equity board exists to turn an investment into a return on a clock, and a director has one job — own the number that defines that return, and see that the company is run toward it, without running the company yourself.

Each clause of that rule will cost you something. "On a clock" means the board can't wait for a kinder market. "One job" means you will leave alone most of what you know how to do. And "without running the company yourself" is the clause first-time directors break first, because they were asked onto the board for knowing how to run one.

What a Private-Equity Board Is For

The word "board" covers three different jobs, and a new director's first mistake is usually bringing the wrong one into the room.

A public company's board works for owners who don't know each other. There are thousands of them, and none can see inside the company, so the board looks on their behalf. It hires the chief executive, watches what the CEO does with the owners' money and replaces the CEO when it has to. Most of its directors are independent of management, which is what absent owners need most.

A family or founder's company often has a board that advises an owner who already decides. Sometimes it is a legal board with real powers. Sometimes it is an advisory board — friends and former colleagues who meet a few times a year, say what they think and go home. Either way the owner keeps the votes and the pen, and the board's job is to make the owner's decisions better ones.

A private-equity board is neither. It serves capital with a clock: a few large owners — a fund, a founder who kept some of his shares, managers who bought in — with a target and a deadline. The fund raised its money from its own investors by promising to hand it back, multiplied, within a set number of years. So the board is where the fund's promise meets the company's plan, and when the two stop matching, it falls to the board to say so, early and in writing.

On one page, the three kinds look like this (the next section defines the fourth row's number).

	Public company	Private-equity-backed	Family or founder-owned
Who owns it	Many shareholders who don't know each other	A fund with a clock, plus the founder and management	A family or a founder
What the board is for	Protect dispersed owners, and hire, watch and change the CEO	Turn an investment into a return by a date	Advise the owner, or decide with the owner
Who sits	Mostly independent directors	Sponsor partners, the CEO, one or two independents	Family members, the CEO, sometimes outsiders
The number that matters	Earnings, every quarter	Trailing EBITDA at the sale	Whatever the owner wants: cash, legacy, jobs
A director's time	About 19 days a year (UK, 2009)	About 54 days a year (UK, 2009)	Varies widely

Days: interviews with 20 British directors who had sat on both kinds of board, published in 2009.

Fig. 01-01: Three kinds of boards: the same title on the door and a different job behind it.

Four things will make a PE board feel different the first time you sit at one.

It is small. When Paul Gompers, Steven Kaplan and Vladimir Mukharlyamov surveyed 79 private-equity firms for a study published in 2016, more than 90 percent said they wanted portfolio boards of five to seven directors, with roughly three seats for the sponsor (the firm whose fund bought the company), one or two for management and one or two for outsiders. That is what the firms said they want, not a count of real boards, but it matches the rooms I have sat in. A board of five has nowhere to hide a passenger — and you will be one of the five.

It takes more of your time. Viral Acharya, Conor Kehoe and Michael Reyner interviewed 20 British directors who had sat on both kinds of board and reported in 2009 that the private-equity seats took about 54 days a year, against 19 for a seat on a listed company's board. The sample is small, British and old (the interviews were done in 2007 and 2008), and I would still plan your calendar on the bigger number.

The owners sit at the table. The partner who bought the company sits across from you, and so, often, does the firm's operating partner. You won't be reporting to the owners once a quarter — you will be working with them every month.

And there is an exit on the calendar. Nobody fixes the date at first, but everyone knows roughly when the company will be sold, and every decision you make gets weighed against what a buyer will think of it.

One Job, One Number

If a PE board exists to turn an investment into a return, the return has to be written in a form a company can run toward. Two and a half times the money in about five years is not that form. You can't manage a ratio on a Monday morning, and nobody in a branch office knows what to do differently because of one.

So translate it. I call the translation the Board's Number, and it is one figure: the trailing twelve months of EBITDA the company must earn at the sale to return the money the fund promised, at the multiple the fund paid. Two pieces of shorthand in that sentence need a word each, since you will meet both on nearly every page.

EBITDA is earnings before interest, taxes, depreciation and amortization. Roughly, it is what a business earns from running itself — before the cost of its debt, its taxes and the slow wearing-out of its trucks and buildings. Buyers price companies as a multiple of it, so a company with $24.0 million of EBITDA, bought at 11.0 times, costs $264.0 million (those are Hovland's numbers).

MOIC is the multiple on invested capital: the cash a fund gets back when it sells, divided by the cash it put in. Everyone at the table says "times the money," and from here on so will I. A fund that puts in $1.00 and gets back $2.50 has made 2.5 times the money.

Why one figure? Because a ratio can't be managed and a budget won't hold still. A budget is a one-year promise, argued over every fall and replaced every year (as it should be). The Number is fixed in writing near the start of the hold, and it moves only by rules the board agrees in advance. Chapter 4 works it out step by step, along with the path beside it — the figure the company should reach at each year-end on the way.

Owning it comes down to three things, in this order.

1. Know it. You can say it in one sentence without looking it up.
2. Check it. You have rebuilt it yourself from the equity, the target, the debt, the costs of the sale and the multiple (Chapter 4 shows how), or you know exactly which input you are missing.
3. Hold the company to it. Whatever report you read and whatever vote you cast, you ask what it does to the Number.

Everything else you do as a director serves that figure. You read the reports to see whether the company is on its path. You pick and back the chief executive, and change one when you must, because somebody has to deliver it. You watch a few risks closely, because they would not dent the Number — they would end it. You approve the capital that moves the company toward it and turn down the capital that doesn't. And in the end you sell, because the Number is worth only what a buyer will pay for it.

Isn't that a narrow way to think about a company? Yes, and on purpose. Any company you sit on will still have customers, technicians, a safety record and a name in every town it serves, and the CEO runs all of it. Your work is to see that all of it adds up to what the owners were promised, and to speak up early when it doesn't.

Noses In, Fingers Out

Delaware's corporation law, as it reads in 2026, says a corporation's business and affairs "shall be managed by or under the direction of a board of directors." Read the words "under the direction of" twice — they carry the whole idea. A board is not required to run the company. Its work is to direct and watch over the people who run it.

I like a phrase for that line: noses in, fingers out. Put your nose into everything the board needs to see, and keep your fingers out of everything management needs to do. For a former operator it is the hardest part of the job, and I've watched very good ones take most of a year to learn it.

I call the habit that keeps you on the right side of it the one-job test. For every item that reaches you, ask whether it is the board's work or management's. Five things belong to the board.

1. The Number: setting it, signing it and holding the company to it.
2. The CEO: hiring, backing and, when the evidence says so, changing.
3. What the board sees: which figures, in what order, on what day of the month (Chapter 6 calls this the reporting contract).
4. The risks that could end the company: making sure the board can see them in time to act.
5. Capital and the sale: what to spend, what to borrow, what to buy and when to sell.

Everything else belongs to management — the price on a quote, the next hire in a branch, the margin on a bid, the software, the trucks. When

an item is management's, your work is to ask one good question through the CEO or the monthly board pack, and then let it go.

Think of a flight. The board files the flight plan and reads the instruments, and the chief executive flies the airplane. A director who reaches for the controls does not make the flight any safer. Now two people think they're flying it.

So you ask through the CEO and the pack, never around them. Call a vice president directly, even to help (it is always to help), and you have told the whole company that the CEO is not the only person it answers to. The sponsor's operating partner is held to the same line and finds it harder to hold, because coaching is the job. An operating partner opens doors, makes introductions and coaches the chief executive — and never runs a function.

What if you can see the answer and management can't? Say it once, as a question, to the CEO. Then let the CEO decide. If the CEO keeps deciding badly on the things that move the Number, that becomes the board's business (Chapter 11 says what to do).

Don't run the test like a sorting machine, either. Plenty of items are both: a large capital request is management's proposal and the board's decision. The test is not there to keep you quiet. It tells you whether you are in the room to decide or to ask.

The Seat Card

Before you can judge a seat, you have to know who sits in the others. I call the one-page map of them the seat card: every person at the table, whether they vote, whom they work for and what they chair.

The cast varies, but most PE boards draw on the same roles. The deal partner led the purchase for the sponsor and answers to its investment committee. The operating partner, usually a former executive on the sponsor's payroll, coaches the CEO and opens doors. A principal (often the person who built the deal model) may sit in as an observer. The chief executive is usually a director. Then come one or two independents, and sometimes a founder or another seller who kept shares in the deal, with a vote or only an observer's chair. Observers hear most of it — and vote on none of it.

Who chairs is a choice: a sponsor partner or an independent. KPMG's 2023 survey of private-company boards drew answers from nearly 600 directors in late 2022 and early 2023. Of those who sat on private-equity-owned boards, 90 percent said their board had at least one independent

director, and about a quarter said an independent was its chair. Those are directors' answers, not a census of boards.

And what is the independent for? You are the operator who has run something like this company — which is why *Buy the Platform, Build the Exit* keeps one of its five seats for exactly that person. You are a second set of eyes for the owners, a director who neither works for the fund nor reports to the CEO. And you are often the audit chair, the director who answers for whether the numbers can be believed.

The card tells you how the board will behave. Count the votes and note who controls them. Note who chairs, and whom the chair works for. Note which seats carry a second loyalty (a founder's, a sponsor's, a CEO's), because that is where the hard votes will come from. Chapter 3 says what each seat owes, and to whom.

Before You Say Yes

A board seat is easy to accept and hard to leave well. So before you accept one, ask five questions. I call them the five questions before yes.

1. What must the fund get back, and by when? The answer is a number of times the money and a number of years. If the sponsor won't give it to you, you have learned something about the sponsor.
2. Who else sits, and who chairs? Draw the seat card from the answer.
3. What will I own — a committee, a risk, a relationship? A seat with nothing to own is a seat in the audience.
4. How much time, in a normal month and in a bad one? Everyone quotes the normal month, but the bad one is what you are signing up for.
5. Why me? Listen for something only you can bring. "Because you're good" is not an answer. "Because you have run forty sites and closed a month in five days" is.

Write the answers down and keep them — you will read them again in your second year, probably on a bad day.

Then say yes only to a seat where you can add what the other directors can't. A board doesn't need a second deal partner who happens not to work for the fund, or an operator who agrees with the operating partner about everything. It needs whatever is missing. If you cannot name what that is, don't sit. If you can, your next step is to read before you sit, and that is Chapter 2.

> **From My Seat (an illustration).** A call about a first seat rarely sounds like a job offer. It sounds like a favor: someone

who has watched you work says a fund is buying a company, the board could use someone who has run one like it, and would you have coffee with the deal partner. By the end of the coffee you are mostly being sold, and you should be mostly buying.

Three things tend to surprise an operator in the first ninety days. One is how little of the board's time goes to operations and how much goes to the debt, the calendar and the people. Another is the speed — a question raised on a Tuesday comes back on Friday with an answer, a model and a recommendation, and the CEO feels every bit of that pace. The last is how quiet the independent seat is. Fund partners talk to each other every day, and management talks every hour. You talk to whoever you call.

So call. Call the chair before each meeting and after it. Call the CEO when nothing is wrong, so that the call when something is wrong isn't the first one. A director who keeps those lines open is the one a board listens to when it matters.

Hovland

Leah Sutter was fifty-four, and she had spent most of her working life inside one commercial building-products maker. She had been its controller, then its chief operating officer, then the president of a $600 million division. People who worked for her called her precise, curious and unafraid of arithmetic, and a few added that she asked the question everyone else was avoiding.

Eight months before Graham's call, the parent company had sold her division, and the buyer had a president of its own. She had done what people do after a sale. She took calls that went nowhere, read more than she had in years and gave the board of a nonprofit hospital more of her time than it needed. That was the only board she had ever sat on, because no company had asked.

What she missed was running things: the Monday meetings, the plant floors, the calls that were hers to make. What she suspected, before Graham's call was an hour old, was that doing this job well would mean giving up exactly that.

Graham's two pages arrived the next morning. Len Hovland had founded Hovland Fire & Safety in Des Moines in 1979. It inspected,

tested and maintained sprinkler, alarm, kitchen-suppression and extinguisher systems, monitored alarms, made the repairs its inspections found and installed new systems. It had fourteen branches in seven states, 1,120 people, 720 of them technicians and field staff, and about 9,100 buildings under inspection contract. Last year it had earned $24.0 million of EBITDA on $186.0 million of revenue, a margin of 12.9 percent. Inspection and monitoring brought in 35 percent of revenue, service 28 percent and installation 37 percent. Kingpost was paying 11.0 times EBITDA (11.0 times $24.0 million is $264.0 million).

Leah read the mix twice. The fire code required the inspections, and they came due again on their own schedule. Service followed inspection, because inspections found things that needed fixing. Installation followed construction and interest rates, which nobody in Des Moines controlled — and it was the largest of the three.

Then she tried the one sum Graham's answer had left her with. What did 2.5 times the money mean in EBITDA? Part of it was easy. If a buyer in five years paid the same 11.0 times, every extra dollar of EBITDA would add $11.00 to the price. But how many extra dollars did Kingpost need? That depended on how much of the $264.0 million was equity and how much was borrowed, on how much debt would still be owed at the sale and on what the sale itself would cost. The two pages said none of it. She wrote the question on the back of the second page and left it there (Chapter 4 finishes the sum).

That afternoon she called Glenn Keating. Twenty years earlier he had been chief operating officer at her old company while she was its controller, and now he was Kingpost's operating partner. She asked him why her.

"You told me once that a plant's numbers were wrong," he said. "You were right, and you told me before anybody asked you to." Then he gave her the rest of the answer — Kingpost wanted two things it did not yet have on this board. It wanted someone who could chair an audit committee and mean it, and someone who knew what fourteen branches looked like from the inside.

She asked about the others, and he told her what he knew. Elliot Talbot was sixty-seven and had been chief executive of a building-services company until its sale to a strategic buyer eight years earlier. He sat on two other Kingpost boards, and he ran, Glenn said, the tightest room he'd ever sat in. Mike Strand was Len Hovland's hand-picked successor, eleven years at the company and chief executive for six, decent and well liked. Len was seventy-one and would keep 17.8 percent of the company,

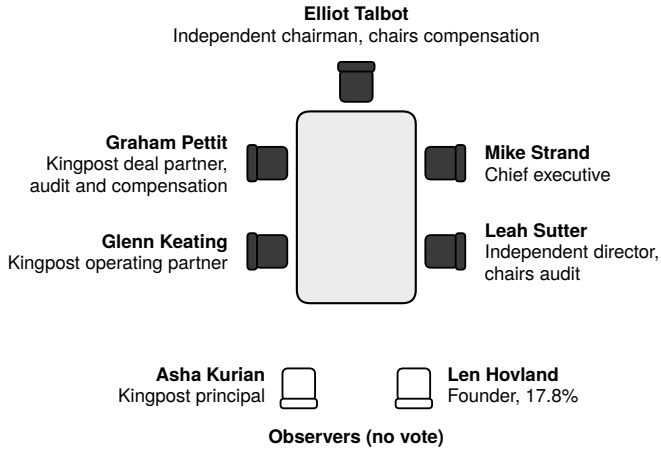


Fig. 01-02: The board at Hovland: five seats with a vote and two without one.

along with a chair at the table that carried no vote. Graham had led the deal, and Asha Kurian, a Kingpost principal, had built the model.

That night Leah drew the seat card on her legal pad. There were five votes: Elliot Talbot as independent chairman, Graham Pettit and Glenn Keating for Kingpost, Mike Strand as chief executive, and herself as an independent and the audit chair. Two chairs were set back from the table — one for Asha Kurian, observing for Kingpost, and one for Len Hovland, observing for his 17.8 percent. Kingpost would own 80.1 percent and elect the board. On one page, the board she was being asked to join looked like this.

Two of the votes worked for Kingpost, one ran the company, and the chairman was independent and knew Kingpost well. The fifth vote would be hers, and whatever she brought to that table, nobody else at it would bring.

Under the card she made a second list, the kind an operator makes on the first night: ride with a technician, set targets for the fourteen branch managers, read the installation bids, look at the trucks. Then, without yet having a name for it, she ran the one-job test down the list and crossed out most of it. One line survived untouched: ride with a technician, to see what the numbers were counting. Another survived with a note beside it: read the bids, but only to learn whether anyone was watching them.

Over the rest of the week she worked through the five questions and wrote the answers on the pad's second page. What the fund needed back, and by when, Graham had already told her. The seat card answered who sat and who chaired. What she would own came on Thursday, when she called Graham back: the audit committee, which meant the auditors, the monthly close, the controls in fourteen branches and the channel for bad news. "And the branches," he added. "Mike knows them. We want somebody on the board who knows what to ask about them."

On the time, Graham repeated what he had said on Tuesday: a meeting in person every quarter, a call on the monthly numbers in the months between, the committee's own meetings, and more in a bad year. She asked how much more. He said it depended on the year, which she took as the truth rather than a dodge. Glenn had already answered the fifth question, twice.

By Friday the second page was full, and she still hadn't said yes. When she called Graham that afternoon, she asked for the documents instead — the investment memo, the model, the credit agreement, the stockholders agreement and the rest — and said she would answer once she had read them.

"Good," Graham said. It was the first thing he had said that told her what kind of partner he would be.

On Other Boards

A seat on an S&P 500 board is a different appointment. Spencer Stuart's 2026 U.S. Board Index counted an average of 10.6 directors on those boards and found 86 percent of the directors independent under the exchanges' listing rules. (Those figures describe the largest listed companies, not every public company.) Beside Hovland's five votes, that is about twice the people, most of them independent, protecting owners who cannot see in. The time differs as well. In the British interviews, most of a listed-company director's 19 days a year went into formal meetings, while most of a private-equity director's 54 went into work with management between them.

Family and founder-owned companies are where the word "board" stretches furthest. A fiduciary board is the company's legal board of directors. An advisory board, as the National Association of Corporate Directors explained in 2024, has no legal authority to decide anything, so its advice binds no one. Under Delaware law as it stands in 2026, an advisory board set up by management or by contract is not the board

of directors, and it holds none of the board's powers unless the charter hands them to its members.

For most of the company's life, Len Hovland had taken advice from an advisory board of friends — people he trusted, who told him what they thought and whom he was free to ignore. The board Leah was being asked to join was a different animal. It could hire and fire the chief executive, and every director on it would owe duties to the company and to every owner, Len included.

From the Record

On March 20, 1602, after the Dutch provinces agreed to merge their rival companies trading to Asia, the States General chartered the Verenigde Oost-Indische Compagnie, the Dutch East India Company, with a monopoly of the Asian trade for twenty-one years. Investors put in about 6.4 million guilders — and got no say in who would run it.

The charter named all 77 of the first directors and appointed them for life, with no way to remove them. When a seat came open, the remaining directors nominated the candidates. Shareholders had no vote on directors and no general meeting at which to cast one. A central board drawn from the directors, the Heren XVII (the Lords Seventeen), set the policy.

What the investors had instead was a promise — their money was tied up for ten years, and in 1612 the company would present full accounts and let anyone who wanted out withdraw. Around 1610, afraid that an accounting would set off withdrawals, the directors asked the States General to excuse them from it. In November 1613 the States General let the company carry on without presenting the accounts at all, which, the historians Oscar Gelderblom, Abe de Jong and Joost Jonker point out, broke the charter outright.

By 1622, with the charter up for renewal, a group of shareholders who called themselves the complaining participants took to print. One of their pamphlets, the *Nootwendich Discours*, made the case in five words, in J. Matthijs de Jongh's translation: "There has been no audit." It went on to suggest that the directors had smeared the account book with bacon and that the dogs had eaten it. The States of Holland banned the pamphlet that July.

When the States General renewed the charter that December, it put the directors under a new board, the Heren IX (the Lords Nine): nine sworn principal shareholders who would examine the yearly balance

sheet and advise on important decisions. An amendment in March 1623 let shareholders appoint auditors and let the Nine attend the Seventeen's meetings. On paper, the owners had won the right to look. In practice, de Jongh writes, the directors frustrated many of the reforms.

That is the oldest version of the problem a board exists to solve: owners who can't see what is being done with their money. A private-equity board turns the arrangement around. It is a small group of large owners with the right to look at everything, and your job as a director is to look well.

Do This

1. Write the fund's return in one sentence before you take any seat: how many times the money, by when.
2. Draw the seat card: who votes, who observes, who chairs and who owns which committee.
3. Run the one-job test on everything you would have fixed as an operator, and keep only the board's work.
4. Ask the five questions before yes, and get the answers in writing.
5. Say yes only to a seat where you bring what the other directors don't.
6. Ask the sponsor why it chose you, and keep the answer.