

# Board Composition and Independence

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Being a Director in the 21<sup>st</sup> Century

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# Size

- A good size for a young company board is five people.
- In the very early days, three can suffice.
- Even for a mid-sized company, seven is a practical maximum.

# Independence

- The only member of management who should be on the board is the CEO.
- The other board members should be truly independent.
- The definition of independent is evolving.
- Like the judge said about pornography :  
"While it may be hard to precisely define, I know it when I see it".

# Able to make a contribution

- Mentoring the CEO is always a big part of the job on a young company board.
- Directors should have spent sleepless nights worrying about meeting payroll.
- “Looks good” directors from senior jobs at large companies, or from universities, are rarely good choices.

# Directors must invest

- Every board member must make a meaningful investment in the company.
- It's the only way they can effectively represent the shareholders.
- Meaningful must be taken in context.
- Lots of evidence proves that higher levels of director investment correlates with better corporate performance.