

EVENT TITLE: Thriving as an Independent Director in PE-Backed Companies

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PROGRAM SUMMARY

As private equity continues to play an increasingly prominent role in corporate ownership, directors are being asked to operate in environments that differ meaningfully from traditional public company boards. In this NACD New England program, panelists explored the role of independent directors in private equity-backed companies, focusing on how directors are selected, how they create value, and how they can be most effective in high-performance, growth-oriented settings. The discussion provided practical insights for directors considering or currently serving on PE-backed boards, as well as broader lessons applicable to board effectiveness.

Defining Value Creation in PE-Backed Companies

A central theme of the discussion was the explicit focus on value creation in private equity environments. Unlike many public company settings, PE-backed boards are typically aligned around a clearly defined investment thesis, often centered on accelerating growth, expanding margins, and ultimately increasing enterprise value within a defined time horizon.

Panelists emphasized that value creation is most often driven by organic growth, supplemented by strategic initiatives such as add-on acquisitions, operational improvements, and selective financial structuring. Directors should understand that PE firms typically enter investments with a clear plan for scaling the business—often targeting significant expansion in size and market position over a relatively short period.

For independent directors, this context requires a shift toward more active engagement in growth strategy and execution. Directors are expected to

contribute not only governance oversight but also practical insights that support the company's value creation plan.

Board Composition and the Role of Independent Directors

Board structures in PE-backed companies vary based on ownership structure, investment size, and stage of the business. However, a common model includes representation from the private equity sponsor, company leadership, and a small number of independent directors selected for specific expertise.

Panelists noted that independent directors are typically brought onto boards to address defined gaps—whether in industry knowledge, functional expertise, or leadership experience. Unlike broader public company boards, these roles are often highly tailored to the company's strategic priorities.

Independent directors are expected to play an active role beyond formal board meetings. In many cases, they serve as mentors to CEOs, particularly first-time leaders or those transitioning from larger organizations. Directors may also support key initiatives such as acquisitions, go-to-market strategy refinement, or organizational scaling.

Importantly, strong relationships—particularly between the independent director and CEO—were cited as critical to effectiveness. Trust, communication, and alignment enable more productive dialogue and stronger execution of strategic priorities.

Characteristics of Effective Independent Directors

Panelists highlighted several attributes that distinguish high-impact independent directors in PE-backed environments. In addition to relevant industry or functional expertise, effective directors demonstrate a high level of engagement and commitment to the company's success.

Directors who are willing to invest time outside of formal meetings—building relationships with management, providing ongoing guidance, and engaging in operational discussions—tend to deliver the greatest value. The role often requires a level of involvement that exceeds traditional quarterly board participation.

Another important characteristic is alignment. Many PE firms seek directors who are financially invested in the company, ensuring alignment with shareholders and reinforcing a long-term focus on value creation. Directors who approach the role as a partnership rather than a passive advisory position are viewed as more effective.

Equally important is the ability to provide constructive challenge. Boards benefit from diverse perspectives and thoughtful debate, and independent directors are expected to contribute insights that enhance decision-making without disrupting cohesion.

Measuring Impact and Early Indicators of Success

The impact of independent directors is often visible early in their tenure. While financial results may take time to materialize, qualitative indicators—such as improved board dialogue, stronger strategic clarity, and enhanced management capability—can signal effectiveness.

Panelists noted that proactive engagement in the first 90 days is a key indicator of success. Effective directors quickly build relationships across the organization, gain a deep understanding of the business, and identify areas where they can contribute meaningfully.

In many cases, directors add value by leveraging their networks, introducing talent, providing access to customers, or offering new strategic perspectives. Over time, these contributions can translate into measurable improvements in company performance.

Governance, Culture, and Alignment

Despite the performance-driven nature of PE-backed companies, governance standards and ethical expectations remain critical. Panelists emphasized that independent directors must uphold strong governance practices and be willing to raise concerns when necessary.

Alignment between directors, management, and investors is essential. Misalignment—whether related to incentives, expectations, or culture—can

undermine effectiveness. Directors should ensure they understand the investment horizon, value creation plan, and performance expectations before joining a board.

The discussion also underscored the importance of cultural fit. Directors who build strong working relationships with both management teams and investors are more likely to influence outcomes and contribute to long-term success.

Considerations for Directors Evaluating PE Board Opportunities

For directors considering roles in PE-backed companies, panelists outlined several key questions to assess fit and expectations. These include understanding the stage of the investment, the company's growth trajectory, and the specific role the director is expected to play.

Directors should also evaluate the time commitment required, which can be significant, particularly in high-growth or transformation scenarios. In some cases, the role may involve ongoing engagement with management beyond formal board meetings.

Ultimately, success in these roles depends on alignment—between the director's skills and the company's needs, and between the director's expectations and the investment strategy.

As private equity ownership continues to expand across industries, the role of independent directors in these environments will remain critical. Directors who bring relevant expertise, engage actively, and align closely with management and investors will be well positioned to contribute meaningfully to value creation and governance in these high-performance settings.

KEY TAKEAWAYS:

Independent Directors Play a Targeted, Value-Creation Role

Directors are selected to fill specific gaps in expertise and are expected to contribute directly to executing the company's value creation plan.

Engagement Extends Beyond the Boardroom

High-impact directors invest time outside formal meetings, building

relationships with management and contributing to operational and strategic initiatives.

Alignment Is Critical to Effectiveness

Financial alignment, shared objectives, and cultural fit between directors, management, and investors are essential for success.

Early Engagement Signals Long-Term Impact

Proactive involvement in the first 90 days—relationship building, understanding the business, and identifying areas of contribution—is a key indicator of effectiveness.

MODERATOR:

Larry Siff, Founder and CEO of Neptune Advisors and C Level Community

SPEAKER(S):

Brian Isaac, Senior VP, Great Hills Partners

Christina Pai, Partner; Fort Point Capital

Jimmy Rich, Managing Director, Gemini Investors

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