

APPOINTMENT: Be clear on company's business strategy

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you won't devote the necessary time," Lidstone said.

A huge part of the research should focus on the company's financials, business structure and board dynamics.

"You have to have a very high degree of comfort and trust the people you will be serving with and trust the management of the company," Lidstone said.

That comfort and trust come from poring over financial statements, grilling company officials and attending board meetings just to observe before joining.

Judd said research needs to include where the organization is in its life cycle.

"You could have a board for a startup that will require more entrepreneurial skills for that growth phase," Judd said. "There might be a board that's mature and just maintaining, so there are not an awful lot of problems. Then there's the organization in decline that may need someone with turnaround skills or a problem-solver."

Tracy Houston, president of Board Resource Services of Denver, offers board-evaluation tools and educates directors on corporate governance issues.

In doing executive coaching, Houston encourages potential directors to completely understand the organization's strategy.

"I want to know what the current issues are and how I can get information from senior management on strategy," Houston said.

That strategy needs to include the relationship between the company, shareholders and stakeholders.

"The presence of the shareholder groups' power is increasing in the board room," Houston said. "Directors need a relationship with them that's structured and consistent."

Not-for-profit board pitfalls

Bill Young, CEO of Denver-based Talus International LLC, which works in health care, serves on the Denver Active 20-30 Children's Foundation board. The foundation raises money for 60 children's charities.

Young warns that many potential board members aren't ready for what he calls the "not-for-profit time trap."

Often, new board members, in their enthusiasm "to give back and contribute," don't realize the time commitment necessary, Young said. It can pull time from one's career, family or both if not managed properly.

Metro Broker's Cook agrees: "It's all about balance."

Young also advises potential board members to understand their donation and fundraising obligations.

"Some nonprofits are not as straightforward as they should be about fund-raising



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Brian Sandy, vice president and director of financial services for the Colorado branch of the IMA Financial Group Inc., says to make sure you know what type of Directors and Officers Insurance covers your board membership.

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Kristy Judd
executive director of Metro Volunteers

expectations," he said. "Not necessarily for a million-dollar check from you, but they expect you to be a messenger out there to get sponsors and do fundraising."

That inevitably leads to another pitfall.

"When you go out and hit up everyone you know asking for a donation, they will come back to you expecting something in return," Young said. "If you don't do that right, you'll find yourself broke or you'll find yourself with no job."

Self-protection on a public board

It's not enough to ask about the mere presence of a board's Directors and Officers Insurance (D&O), said Brian Sandy, vice president and director of financial services for the Colorado branch of the IMA Financial Group Inc. His group's sole focus is on executive and professional liability.

"The tricky part of D&O liability coverage is there's no standard policy," Sandy said. "Every carrier has a different form. There are about 25 carriers, with 100 to 200 endorsements added. So there's a wide discrepancy in the breadth of coverage."

According to Sandy, here are some key coverage areas to look for:

- Ask how much coverage is reserved for independent board members. Without enough in reserve, much of the claim money can be eaten up by the business entity, he said.

A good policy will "make sure a direc-

tor doesn't have to pay money out of his pocket," Sandy said.

- Inquire about the "severability" of a policy. That will protect an independent director from misrepresentations made by, for example, an internal board member. "It's key for a director to make sure the conduct of directors who are guilty is separate from one who is innocent and didn't know of the misrepresentation," Sandy said.

- Make sure the D&O policy is non-rescindable and explore the possibility of adding a personal indemnification agreement.

"Liability can persist after you leave for decisions and actions you made while on the board," Sandy said. "Indemnification agreements stay with you even after you leave."

Though all the warnings may seem intimidating, there are great rewards that come with board service, the experts agreed.

"The opportunities are limitless if you serve," Cook said. "But it's all in how you do it. The dog can wag the tail or that tail will end up wagging the dog."

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