

## Board Member Compensation

Broadly speaking, there are three kinds of board members:

- **Flag Waver:** Leader who comes from the market the firm serves.
- **Experienced:** Executive who has been successful in key operating roles with similar firms and have had significant success with fund raising.
- **Expert:** Executive who:
  - Has led at least one successful liquidity event.
  - Has a record of success guiding firms in different stages and markets.
  - Is professional at applying lessons learned.
  - Demonstrates a consistent track record helping set, maintain, and develop strategy, focus, and resources.

Each has a different usual compensation structure.

- Flag Waver: \$5K-10K/year
- Experienced: \$25-50K/year
- Expert: \$50-75K/year

Compensation comes in the form of cash payments via meeting fees or retainer and equity participation.

Equity awards are such that their associated cash value, if the plan in place at the time the member joined the board is achieved, equals:

$$(\text{target-pay-per-year less amounts-actually-paid}) * (\text{the number of years})$$

For example, if the target is to pay an expert board member \$75K/year and the plan is to have a transaction in five years and s/he is paid a retainer of \$40K per year then the equity award would be set so as to award:

$$(\$75K \text{ per year} * 5 \text{ years}) - (\$40K/\text{year} * 5 \text{ years})$$

or

$$\$375K - \$200K = \$175K$$

**Note:** This calculation needs to be tweaked to incorporate the time value of money when and if interest rates are significant.



See also:

[How much should you be paid as a board director?](#)

[Note on board compensation by Summit Executive Resources](#)

### About the Authors

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