



## **A Transformative Experience: Caroline Tsay on How Boards Can Learn and Thrive**

**Skills and Professional Development**



Most professionals go through a long and arduous process to achieve their first public board positions. But Caroline Tsay, independent director of Rosetta Stone, Inc. and Morningstar, Inc., and CEO of Compute Software, Inc., joined her first public board at just 34, after an exciting, whirlwind interview experience.

“Everything happened relatively quickly,” Tsay says. “Soon after I perfected my board bio, I found myself speaking at a technology conference in front of a Rosetta Stone executive.” The executive introduced Tsay to the CEO and the board as an independent director candidate. At the time Tsay was “somewhat starry-eyed. I was thrilled that this great opportunity came to me so early and quickly, and I gave it my all,” she says.

She quickly plunged headfirst into the world of service on corporate boards. Tsay believes that her immersive experience on a corporate board has been educational and transformative. “I have learned so much,” she explains. “This thrilling experience has taught me the principles and lessons that I still apply as a board member and executive daily.” While listening to Tsay’s story, we were instantly struck by how many of the lessons she has for boards are just as applicable to leaders at legal departments.

### **Execute toward a strategic future plan**

Long-term success is never guaranteed in business, and companies must be prepared to meet future public demands. With customer preferences always changing, Tsay advises, “boards should frequently review and evaluate a company’s long-term strategic plan along with the CEO and management team.” She continues:

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“A company’s long-term strategic plan includes everything from growth opportunities, product innovation, to digital marketing. It is important to ask tough questions routinely about the market, competitors, and customer satisfaction to glean insights and inform a company’s long-term strategy.

A good place to start is to conduct an unbiased and un-aided market analysis, ideally, through an independent party. As you respond to shareholders and analysts you will, in the process, reach a better long-term vision and refine the company’s business and its goals.

In the end all companies should have a strategic, long-term plan for the future in order to succeed in a competitive marketplace.”

## **Set clear goals**

Being clear about your company’s game plan is essential, especially when managing a corporate transition or a special situation. “We often agree on a clear and systematic approach to all challenges and opportunities that we revisit periodically. For example, we agree about who would lead the board response, who would communicate with the shareholders and the media, and who would manage the important and functional response team,” explains Tsay.

This typically requires juggling several streams of input, so it’s important to make sure your plan balances all factors. “We often get a lot of input about short and long strategies from many different stakeholders. As board members, you need to assess priorities and how they fit in with your game plan. It is the ultimate team sport and we do our best to act as a collegial, respectful, and balanced team,” Tsay notes.

## **Evaluate all proposals and set realistic expectations**

Once your company’s long-term goals are determined, any new order of business must be thoroughly vetted. “We review and research all proposals and understand who the stakeholders are, what they bring to the table, and their motivations,” Tsay says. “It is also helpful to outline what information surfaces and when, identify what we research, and investigate and prioritize what to address and how.”

Impeccable time management skills were also vital for maintaining order. “Setting expectations around timing helps to address the most important issues first,” says Tsay. “While we often divide ourselves into teams or ad hoc committees to tackle different issues, we also then have time for collective board discussion and decision making. This is a very helpful structure and we often use this approach to tackle complex and important challenges and opportunities.”

## **Gain a deep understanding of your business**

“It is important to ask the tough questions routinely,” says Tsay. She learned that discussing the company’s performance, conducting an honest self-assessment, and closing gaps between the board and management are not optional. These are must-have strategies. But that is not always enough. “Sometimes management is internally focused, so you need to look for outside perspectives. A good place to start is conducting a market analysis and hiring a third party.” explains Tsay.

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## Review your board composition annually

Just like any legal department leader needs to do regularly with respect to their teams, “You need to ask yourself regularly whether the current board composition creates the best process, and whether you have the right people at the table,” says Tsay. “The board should ask whether each key player still brings relevant skills and talents to the company,” explains Tsay.

The questions should not only focus on what skillsets are currently represented, but what talents are missing as well. “If you don’t ask yourself these questions as a board, it can be a matter of time and performance before shareholders or analysts will ask these questions.”

This may require making restructuring decisions, such as replacing the board members or even the CEO. Though these are tough choices, “it is absolutely paramount to go through systematic, honest, and transparent evaluations, especially when there are challenges to the company’s decisions or operations,” she adds. “That’s one way to support maximizing shareholder value, which is the responsibility of a board of directors.”

## Stay open to feedback

Many shareholders and analysts are collaborative and their proposals may have merit. “I learned to approach suggestions and questions with an open mind,” says Tsay. “We work with shareholders to implement various governance or operational changes. We also collaborate about what suggestions to override and make sure we reach consensus.”

Open collaboration is important to resolve situations. “This is an effective way to deescalate differences and reach the productive, actionable outcomes sooner to help the company thrive and grow,” explains Tsay. Although this process may be uncomfortable, board members should see it as a period of growth. “Shareholders and analysts may push the board a lot and in a good way. Sometimes, they add a sense of urgency that the board may not be able to create on its own,” says Tsay.

She explains she often asks herself and other members of the board “whether we should act with a bit more urgency on some questions and issues. I am convinced that this is an important question to ask.”

Tsay’s transformative experience is a great opportunity for legal leaders to use the general themes and apply them to their own companies and teams. Some of the greatest lessons are ones that come out of a shift in perspective, and looking at our own problems with a completely fresh set of eyes. Tsay’s wisdom is universal and is an important reminder just how much in common lawyers, boards, and business teams have in common.

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Olga V. Mack is a fellow at CodeX, The Stanford Center for Legal Informatics, and a Generative AI Editor at law.MIT. Mack shares her views in her columns on ACC Docket, Newsweek, Bloomberg, VentureBeat, Above the Law, and many other publications.

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She has authored numerous books, including *Get on Board: Earning Your Ticket to a Corporate Board Seat*, *Fundamentals of Smart Contract Security* and *Blockchain Value: Transforming Business Models, Society, and Communities*. She is working on her next books: *Visual IQ for Lawyers* (ABA 2024), *The Rise of Product Lawyers: An Analytical Framework to Systematically Advise Your Clients Throughout the Product Lifecycle* (Globe Law and Business 2024), and *Legal Operations in the Age of AI and Data* (Globe Law and Business 2024).

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