

An outsider's opinion can be valuable to companies

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GUEST OPINION



As the business environment becomes ever more complex, owners of privately owned companies should consider adding outsiders as directors or as members of an advisory panel to provide advice and counsel on a broad range of business issues.

The benefits of an independent and impartial adviser will outweigh any disadvantages, most of which are only a matter of perception.

By and large the appointment of outsiders, particularly when the individuals chosen are of the highest integrity and quality, will serve also to enhance the company's stature and reputation within the business community.

Smaller companies generally do not

have a great depth or breadth of management. Thus, an outsider can provide a broad range of experience, expertise and perspective not found in the company.

Outside directors or advisors ideally should complement the entrepreneur's strengths and become a sounding board for his ideas.

Entrepreneurs are successful because of their unyielding commitment to seeing the business succeed. Often this intense drive results in a less than objective analysis of problems, as well as opportunities, and causes unrealistic expectations.

Outsiders can provide a more detached, balanced and dispassionate analysis of important issues by asking the difficult questions that many times are ignored or overlooked.

With their breadth of experience, and not having the burden of active involvement in the daily business affairs of a company, outsiders are better able to formulate business strategies and develop both short- and long-range plans for the company.

Every company, no matter how small, needs a plan to serve as a compass and a scorecard to measure performance. However, it is the rare entrepreneur who has a current operating plan!

Yet, simply stated, "failing to plan is a planning to fail!"

As elected members of the board of directors, outsiders have the responsibility to protect the interests of the stockholders and the general public. Included in the board's legal mandate is the power to appoint and dismiss corporate officers.

Many owners of private companies

view this with a jaundiced eye and consider it a threat. But, it, in reality, is not.

Selecting directors or advisors whose judgment you respect and trust will go a long way to defuse the issue. Moreover, since outside directors of privately held companies rarely, if ever represent a majority of the board, control still rests with the entrepreneur.

In lieu of a formal appointment to the board of directors, an alternative is an advisory board. With no legal status or liability, the advisory board has grown in popularity in recent years.

Personal liability considerations make service on advisory boards an attractive option to outsiders, particularly in the litigious environment in which we currently live. Smaller companies unfortunately have great difficulty in mitigating the personal liability concerns with directors' and officers' insurance.

Such coverage is not readily available. And if it is, the cost is exorbitant.

Entrepreneurs, by their very nature, are not accustomed to, nor do they like, having their decisions questioned and will find this issue the most nettlesome to overcome when bringing the outsiders into their inner circle. However, if entrepreneurs can get beyond this difficulty, they will enjoy the benefits of an invaluable resource whose unbiased insights will contribute greatly to the company's success

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