

TOP TAKEAWAYS

Why You Should Add Your First Outside Directors to Your Board

1. **Outside directors will provide you with “intellectual capital.”**

Their unique business knowledge base will broaden your own business knowledge base; particularly when “you don’t know what you don’t know.” Outside directors may have already “been there, done that” and can provide you with knowledge and experience they have gained from their own successes (and failures) elsewhere.

2. **Outside directors will provide you with a diverse perspective.**

Outside directors will have different experiences and backgrounds than you. Not only will their diverse knowledge base provide insight, but their diversity of life experience can help you come up with ideas and solutions that you may not have considered.

3. **Outside directors will keep you sharply focused on your business’s strategic goals and objectives.**

Preparation for your Board meetings will help force you to address high-level and strategic issues that might get lost in day-to-day business, and forces you to be accountable, maintain an updated and organized view of your business, and to ask yourself tough questions that you know the Board will ask at the meetings.

4. **Outside directors drive growth.**

While management usually focuses on the short-term, your outside directors will help you also focus on a macro-level and the long term. Outside directors, because they are not tied to or mired in the intricacies and day-to-day of the business, are even more focused on the long term. They are uniquely positioned to be asking how to drive the business forward, and what the “next big thing” will be.

5. **Outside directors can bring objectivity and independence to otherwise difficult decisions.**

Particularly in family-owned, or even simply closely-held, businesses, certain business decisions may be even more difficult to address because they have additional and complicated personal dynamics to consider. Outside directors can not only provide an unbiased perspective, but can also be neutral messengers. With outside directors, you will get real, honest, concerned and objective input from non-self-serving individuals.

6. **Outside directors will take the position seriously.**

When a director has no other reason for serving on the board other than to fulfill his or her duties as a board member (rather than, for example, simply being appointed because he or she is a family member), that director usually will take those duties more seriously, and will be more inclined to participate actively and in the best interests of the business, not any other objective.

7. **Having outsiders on your board will expand your network of useful contacts for financing and other business needs.**

Outside directors will have a completely separate set of relationships and business contacts, including bankers, accountants, lawyers, insurance agents, real estate agents, and even customers. By inviting one newcomer into the mix, you are also opening up a multitude of potential new contacts.

8. **Outside directors will provide you with independent credibility.**

Independence in the boardroom is often an important factor for new business relationships, such as banks, investors, customers, suppliers, and even attracting new, top talent. Having outside directors or even a completely outside board will send a clear signal that you are serious about growth, integrity and running a solid business worthy of their business or investment.

9. **Add outside board members where your current board has a weakness, or could use additional strength.**

Fill the holes in your board's knowledge base, or consider adding a board member with a deep knowledge of a certain area that your business may not now, but could in the future, be involved with. For example, if a company is looking to add technology or online tools to its repertoire, perhaps having a director with knowledge of information technology and its implications would be particularly useful in growing that portion of the business and problem solving.

10. **You can reap the benefits of an outside board regardless of whether it is an advisory or a fiduciary board, but don't forget your legal formalities!**

An advisory board and a fiduciary board can each provide a company with the benefits of having outside directors; the company "personality" and dynamics may suggest that one type may work better than the other at a particular stage (including, perhaps, starting with an advisory board that transitions into a fiduciary board). However, remember to speak with your legal advisors about the implications of the different types of boards and how they may affect both the directors and your company.

For more information

For more information on Why You Should Add Your First Outside Directors to Your Board, please feel free to contact the moderator directly:

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